

Regional Government in Perspective: A Financial Review



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Ministry of Treasury, Economics and
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Municipal Finance Branch





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**Regional Government
in Perspective:
A Financial Review**



Ministry of Treasury, Economics and
Intergovernmental Affairs
Municipal Finance Branch

Ontario Proposals For Tax Reform In Canada

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Preface

This study examines the performance of the regional governments created in Ontario since 1969. It focuses on the financial dimensions and shows the impact of reorganization on local spending and taxing. It is hoped that this evaluation of past performance will assist the local government sector in the ongoing process of structural and fiscal reform.

The study has been prepared by the staff of the Municipal Finance Branch, directed by L. J. Close. The principal author was H. Regush, assisted by E. Marchesan, E. Huang, D. Barnes, G. Derecho, P. McPherson and R. Temporale. Although the authors are responsible for all data and commentary, special mention should be made of contributions by municipal treasurers and their staff who provided vital municipal financial data as well as other data from their respective municipal administrations.

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May, 1976

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I. Introduction

The establishment since 1969 of 10 regional municipalities, 1 district municipality and 1 restructured county, has created stronger and more effective local government units in Ontario.

The fragmented structure of local government with a multitude of small municipalities was incapable of dealing effectively with the problems of rapid growth. Reorganization was necessary to cope with these pressing problems. For this reason, municipal reorganization took place for the most part in the fastest-growing and most rapid urbanizing areas. Each reorganization was achieved with full co-operation between the Province and the local municipalities concerned.

While certain advances in municipal administration have been realized under reorganization, they have not been achieved without costs to both levels of government. Both the quality and quantity of municipal services have been improved. But at the same time the levels of local spending, property taxation and provincial transfer payments have risen considerably. These increases were the results of many factors including growth and inflation.

Now that the area of greatest urgency has been dealt with and the restructure program has moved into a new era of locally initiated review, it is appropriate to examine and assess some of the results. This study summarizes the structural and fiscal changes that have occurred, evaluates the financial performances, and discusses the current and future problems of regional governments in Ontario.

The financial issues faced by restructured municipalities are both contentious and complex. The new local governments will have to employ the resources at their disposal with determination, courage and ingenuity to meet the challenge.

II. Local Government Reforms

The municipal government reorganization program aimed to improve the structure, organization and fiscal capacity of municipalities in the fast growth and urbanizing areas of the Province. Other reforms were undertaken at approximately the same time and applied generally to all municipalities and other local government units, such as school boards, in the Province. These complementary reforms had a major impact on reorganized municipalities. The following is a summary of changes under the municipal reorganization program and other complementary reforms:

1. Changes Under the Municipal Reorganization Program

(a) Boundary Changes and Consolidation of Jurisdictions

The objectives of changing boundaries and consolidating jurisdictions were to create a broader and more equitable financing base, to promote more effective local decision making, and to enhance local autonomy and accountability. The major changes introduced were:

- creation of 11 upper-tier governments with broad ranges of responsibility; these are Ottawa-Carleton (1969), Niagara (1970), York (1971), Waterloo (1973), Sudbury (1973), Durham (1974), Peel (1974), Halton (1974), Hamilton-Wentworth (1974), Haldimand-Norfolk (1974), and the District Municipality of Muskoka (1971);¹
- amalgamation of 201 local municipalities into 79 larger, more viable lower tier units;
- dissolution of many local boards and commissions; and
- re-integration of cities into the two-tier system of local government in recognition of the numerous inter-relationships that exist between urban and non-urban areas.

Table 1 shows the number of municipalities dissolved and local boards and commissions eliminated as a result of these structural changes.

Number of Units Before and After Restructure
in the Regionalized Areas (Metro Excluded) Table 1

	Before	After	Change
Upper-tier municipalities	12	11	- 1
Lower-tier municipalities	201	79	- 122
Boards and commissions*	343	92	- 251

Source: Returns of Elected and Appointed Officials; 1969-1975.

*Includes only the major boards and commissions such as public utilities and health boards.

(b) Transfer of Responsibilities

Under reorganization local government responsibilities were redistributed between upper and lower tier municipalities to achieve:²

- better balance of responsibility between the two levels of municipal government to deal with regional and local issues;

¹The restructured County of Oxford, implemented on January 1, 1975, is not included in the study as it is too recent to permit meaningful analysis.

²In addition, transfers of responsibility occurred between the Province and local government, especially for police and planning, and between the private sector and local government. In Sudbury Region, responsibility for a large number of services, (roads, water supply, recreation facilities, etc.) were transferred from the private to the public sector.

- more co-ordinated approach to planning; and
- greater effectiveness and efficiency in providing services.

Table 2 summarizes the major changes in service responsibilities before and after municipal reorganization.

Major Changes in Responsibilities
Introduced with Regional Government Table 2

Service	Responsibility	
	Before	After
Police	Local	Local/Regional
Social Services	Local/County	Regional
Health Services	Local/County	Regional
Roadways	Local/County	Local/Regional
Water Supply	Local	Regional
Water Distribution	Local	Local/Regional
Sewer Treatment	Local	Regional
Sewer System	Local	Local/Regional
Garbage Collection	Local	Local
Garbage Disposal	Local	Regional
Planning	Local	Local/Regional
Fire	Local	Local
Parks and Recreation	Local	Local
Borrowing	Local	Regional

(c) Cost Sharing Among Municipalities

Costs of regional services are apportioned among the lower tier municipalities on the basis of their share of total equalized assessment within the region. Equalized assessment is the total of local values for residential and commercial real property, business assessment and the assessment equivalent of payments-in-lieu of taxes for exempt properties, all adjusted to correct for different local assessments relative to market values.

The result of this pooling is a more equitable sharing of the costs of local government between have and have not municipalities. This reduces the need for lower tier municipalities in each region to compete for commercial and industrial assessment just to increase their own tax bases. Furthermore, the pooling permits improvement in the level of services throughout the community when necessary, without drastic fluctuations in local tax levels.

(d) Cost Sharing With the Province

Special assistance payments to regions are made to meet some of the costs of initiating development of services on a regional basis. These payments vary in recognition of the unique problems encountered in each region.

As a result of structural and cost-sharing changes, many areas would have experienced sudden shifts in property taxes between

and within the lower tier municipalities. Transitional grants were developed to phase-in the tax shifts in an orderly manner over a 5 year period.

Unconditional per capita grant rates to regional governments are higher than those for other municipalities. There are also additional per capita grants based on the density of the lower-tier municipalities. These enriched per capita payments ensure that these reformed local governments have adequate financial resources to discharge their new and enlarged responsibilities.

In recognition of the tremendous pressure and demand for urban services in the fast-growing reorganized municipalities, the Province also pays 15 percent of the capital costs of regional water and sewage projects.

2. Complementary Changes

During the same period, comprehensive reforms were implemented for all local governments in Ontario. The complementary reforms which had a major impact on reorganized municipalities include:

(a) Consolidation of School Boards

The amalgamation of about 1,400 school boards into 182 boards provided more equal education opportunities across the Province by pooling resources, similar to municipal reorganization objectives.

(b) Increased and Reformed Grant Programs

A number of unconditional and conditional grant programs were enriched or introduced to equalize the financial capacities of local governments across the Province. The most significant changes were:

(i) Unconditional³

- General Support Grant
- Resource Equalization Grant
- Northern Ontario Special Support Grant
- General Per Capita Grant
- Per Capita Policing Grant

³For a discussion of these grants refer to the Ontario Budgets, 1973 through 1976, and related documents. The General Support Grant is currently equal to 6 percent of each municipality's general levy. The Northern Ontario Special Support Grant is currently equal to an additional 15 percent of the general levy of each municipality in Northern Ontario. The Resource Equalization Grant is a percentage of the general levy of each lower tier municipality. The percentage is determined by comparing the actual per capita equalized assessment of each municipality to a provincial standard of \$10,400 per capita. The enriched general per capita grant and enriched per capita grant for municipalities with police forces refers to the general enrichment of both grants for all municipalities as compared to the higher rates for reorganized municipalities referred to earlier in the text.

(ii) Conditional

- provincial support of school board costs was raised from 48 per cent in 1969 to 60 percent in 1973
- library grants, museum grants, public transit grants, sewage and water subsidies, and county road grants were enriched.

(c) **Provincial Assumption of Services**

To relieve the costs to local municipalities of administering certain public services, the Province assumed the following functions:

- administration of justice;
- assessment of real property; and
- family benefits payments

In addition, provincial involvement in inter-regional public transit was increased.

(d) **Property tax credits**

In 1972, a municipal Property Tax Credit Plan was introduced. The system was designed to correct the regressive nature of the property tax by relating property taxes to ability to pay through income tax credits. The credits have been enriched in subsequent years.⁴

Special tax relief programs were also introduced to lighten the property tax burden on farmers and pensioners.⁵ In addition permissive legislation allows municipalities to further reduce property taxes for the aged and the needy.

III. Socio-Economic Perspective 1970-1975

Ontario has accommodated substantial growth since 1970. Population increased 11.6 percent and households 20 percent over the period. The average income per household also grew considerably almost to 69 percent. Table 3 breaks the Province down into 3 categories—the regions, Metropolitan Toronto and the rest of the Province—and compares the social and economic dynamics within which each local category has operated.

⁴The specific tax credit formula incorporated in the 1972 income tax form was \$90 plus 10 percent of property tax paid, minus 1 percent of taxable income, up to a maximum credit of \$250. In 1973, the tax credit was enriched to include a sales tax credit equal to 1 percent of personal exemptions. In 1974, the property credit tax was doubled from \$90 to \$180, the maximum credit was raised to \$500, and the offset rate was increased from 1 percent to 2 percent of taxable income. The Ontario Tax Credit formula since 1974 therefore is \$180 plus 10 percent of property tax paid, plus 1 percent of personal exemptions, minus 2 percent of taxable income, up to a maximum credit of \$500. Roomers, boarders and renters as well as homeowners are eligible. The tax relief is confined to principal residence only and to Ontario citizens only.

⁵In 1973, a pensioner tax credit of \$100 on a sliding scale related to taxable income was introduced to taxfilers who are 65 years of age or over. Since 1974, the Pensioner Credit has been increased from \$100 to \$110. In 1970, a Farm Tax Reduction Program was implemented which gave farmers a 25 percent rebate of the total property tax paid, and the grant has been raised to 50 percent since 1973.

Economic and Social Characteristics 1975

Table 3

	Province	Regions	Metro	Rest of Province
<i>Social Characteristics</i>				
POPULATION	8,053,000	2,851,000	2,152,000	3,050,000
Percent distribution	100.0	35.4	26.7	37.9
Percent change 1975/70	11.6	16.0	8.2	10.1
HOUSEHOLDS	2,879,000	982,000	757,000	1,140,000
Percent change 1975/70	20.0	26.6	16.6	17.0
STUDENTS (Elementary and Secondary 1975)	1,718,000	675,000	408,000	635,000
Percent distribution	100.0	39.3	23.7	37.0
As Percent of Population	21.3	23.7	18.9	20.8
<i>Economic Characteristics</i>				
TOTAL EQUALIZED COM. INDUSTRIAL ASSESSMENT (\$ billion)	26.3	8.3	11.6	6.4
Percent change 1975/70	11.0	14.4	13.7	3.5
TOTAL EQUALIZED ASSESSMENT (\$ billion)	77.6	27.4	26.4	23.8
Percent Change 1975/70	20.1	30.0	19.7	20.8
HOUSING STARTS 1970 to 1975 inclusive	467,461	119,711	239,554	108,196
HOUSING STARTS as percent of existing households in 1970	19.5	30.9	18.4	11.1
TOTAL PERSONAL INCOME (\$ billion)	43.7	15.5	14.0	14.2
AVERAGE INCOME PER HOUSEHOLD (\$)	15,200	15,800	18,500	12,500
Percent change 1975/70	68.9	59.6	69.7	73.6

Source: Ministries of Education, Housing, T.E. & I.A. and Statistics Canada.

Note: See Appendices A1, to A6 for a more detailed analysis by region.

All three categories of municipalities have faced growth pressures contributing to increased local spending. Growth in population and households created similar demands for increases in services by exerting pressure on required service volumes regardless of the municipality's geographic location in the Province.

The comparative degrees of growth caused the variance in pressures experienced by each group. The regions, with the highest rates of growth in virtually all the characteristics outlined in Table 3, clearly had the highest degree of pressure to increase, improve and maintain services. Naturally then, the effects of growth, though present throughout the Province, have been proportionately greater in the regions.

In addition to the usual immigration to urban areas, the regions have experienced a higher level of family formation than Metro and the rest of the Province. This expresses itself in a higher percentage of children

in their population and a continuing demand for schools and recreation facilities, as well as libraries and day-care centres.

Typically, growth of population in Metro is comprised of young adults both living and working within a limited radius; hence, the lower percentage of students to population and less need to increase those services centred upon families and school-aged children.

The regions have experienced the greatest increase in commercial and industrial assessment in the Province. This change in commercial and industrial assessment is an indicator of capital investment. Capital investment provides job opportunities within the community and reduces massive daily shifts of people between residential and employment areas. Metro's growth in commercial industrial assessment was average, while the rest of the Province experienced a negligible change.

Although distorted by inflation, personal income rose strongly in all three categories of municipalities over the five-year period. The cost of local government increased in step with personal income. Taxpayers with higher incomes demand higher service levels. This is generally followed by an upgrading of the services in older sections of a municipality.

Growth in population and households has caused a multiplication of service needs and costs in all areas of the Province, especially in the regions. The remainder of the paper examines how local governments have coped with this growth and its demands on financing.

IV. Regional Government Finance 1970-1975

Spending and revenues in reorganized municipalities have increased significantly since reorganization occurred. There has been a great deal of misunderstanding about the magnitude of these increases and the reasons for them.

All local governments are affected by factors beyond their control, such as growth and inflation. At the same time, factors such as the demand for services are subject to local decision making and are to some extent controllable. A comparison of the impact of these factors and the methods of financing used by each municipal category gives a perspective for a financial evaluation of the regions.

This study also examines the financial record of school boards versus municipalities to clarify which local government services accounted for the increased spending and taxation. Once the spending differences are identified, the effects of real growth are examined by comparing the increases in spending to the growth in the number of households for each municipal category. This method of analysis removes the growth component from each category of spending so that comparisons of other factors which cause different levels of spending can be made and evaluated.

The other causes of increased spending are the effects of inflation, increases in the volume of services and increases in service levels. These factors are analyzed and compared among the three municipal categories.

Increased spending requires increased revenues. An examination of changes in property taxes in each category on a household basis defines the actual increased burden on individual taxpayers over the period. However, property taxes are only part of the financial base of the local sector. Therefore an analysis of the other major sources; namely, provincial assistance, borrowing and other revenue is included to put property taxation and its role in local government financing into perspective.

1. Spending Performance

(a) Total Spending

(i) Overview

In the period, 1970 to 1975 inclusive, total local government spending increased by more than 15 percent annually. As shown in Table 4, total estimated spending in 1975 was over \$6.2 billion compared to \$3.6 billion in 1970.

Total Local Government Spending Table 4

	1970	Est. 1975	Percent Change 1975/70
	\$ Million	\$ Million	%
<i>Regions</i>			
Municipalities*	508.8	1,320.0	159
School Boards	691.1	992.0	44
Total	1,199.9	2,312.0	93
<i>Metro</i>			
Municipalities*	542.9	1,098.0	102
School Boards	524.0	718.0	37
Total	1,066.9	1,816.0	70
<i>Rest of Province</i>			
Municipalities*	611.8	1,008.0	65
School Boards	703.1	1,100.0	56
Total	1,314.9	2,108.0	60
<i>Total Local Sector</i>			
Municipalities*	1,663.5	3,426.0	106
School Boards	1,918.2	2,810.0	46
Total	3,581.7	6,236.0	74

Source: Financial reports and budgets of municipalities, school boards and unconsolidated boards.

*Includes spending of unconsolidated local boards.

Note: See Appendices A7, A8 and A9 for a more detailed analysis by region.

Revenue Fund Expenditure

Table 5

	1970	Est. 1975	Percent Change 1975/70
	\$ Million	\$ Million	%
<i>Regions</i>			
Municipalities	374.3	892.2	138
School Boards	562.0	944.5	68
Total	936.3	1,836.7	96
<i>Metro</i>			
Municipalities	423.0	784.0	85
School Boards	436.0	676.0	55
Total	859.0	1,460.0	70
<i>Rest of Province</i>			
Municipalities	476.4	863.8	81
School Boards	619.5	1,013.5	64
Total	1,095.9	1,877.3	71
<i>Total Local Sector</i>			
Municipalities	1,273.7	2,540.0	99
School Boards	1,617.5	2,634.0	63
Total	2,891.2	5,174.0	79

Note: See Appendix A10 for a more detailed analysis by region.

Municipal spending grew at a faster rate than school board spending over the period. The lower increase in school board spending, 46 percent, is attributable to a general decline in enrolment and provincial spending ceilings on school boards. The increase of 106 percent in municipal spending reflects high growth pressures, especially in the number of households.

In 1970, the rest of the Province ranked first in magnitude of spending, followed by the regions and Metro, in that order. With a growth rate of 93 percent over the period, total local government spending in the regions surpassed the rest of the Province by \$200 million in 1975, the highest total spending of the three categories.

(ii) Distribution between capital and current spending

The local sector for the whole Province showed a 74 percent increase in total spending. However, revenue fund (current or operating) spending increased by 79 percent (Table 5) and capital spending by 54 percent (Table 6). This is an important financial indicator. Capital spending, particularly for municipal services, generated operating expenses in future years and in most instances, debt charges that must be paid annually from taxes and other revenues.

Capital Fund Expenditure

Table 6

	1970	Est. 1975	Percent Change 1975/70
	\$ Million	\$ Million	%
<i>Regions</i>			
Municipalities	134.5	427.8	218
School Boards	129.1	47.5	(63)
Total	263.6	475.3	80
<i>Metro</i>			
Municipalities	119.9	314.0	162
School Boards	88.0	42.0	(52)
Total	207.9	356.0	71
<i>Rest of Province</i>			
Municipalities	135.4	144.2	7
School Boards	83.6	86.5	3
Total	219.0	230.7	5
<i>Total Local Sector</i>			
Municipalities	389.8	886.0	127
School Boards	300.7	176.0	(41)
Total	690.5	1,062.0	54

The total current spending by the regions increased 96 percent over the period exceeding the growth rate of both Metro, 70 percent, and the rest of the Province, 71 percent. In all municipal categories, total current spending by municipalities increased more than by school boards. The municipalities in the regions experienced the highest growth rate, 138 percent, while Metro and the rest of the Province were almost equal with current spending growth rates of 85 percent and 81 percent respectively.

The wide variation in current spending which occurred in the municipal sector among categories was not followed by a similar result for school boards. The provincial average growth rate for school board current spending was 63 percent. The largest deviation from this average growth rate was Metro, at 55 percent.

Spending on capital goods, summarized in Table 6, follows the same trend as current spending for the three categories. The regions with greater growth and resulting demand for facilities increased capital spending on municipal services by 218 percent. Metro with a mass urban transit system followed with an increase of 162 percent. In the rest of the Province, where capital intensive services such as sewage and water systems are often

rented from the Province, the amount of actual increase is probably understated.

The school construction boom in the late 1960's reduced the need for high capital spending on schools in the regions and Metro after 1970. This downturn in capital spending partially offset the continuing increases in school operating budgets over the period 1970 to 1975, inclusive.

(b) Spending per Household

(i) Overview

The difference in total spending growth rates between the highest (the regions) and the lowest (rest of Province) was 33 percentage points (Table 4). When expressed on a household basis as shown in Table 7, the difference was only 15 percentage points.

**Total Local Government
Spending per Household**

Table 7

	1970	Est. 1975	Percent Change 1975/70
	\$	\$	%
<i>Regions</i>			
Municipalities	656	1,344	105
School Boards	891	1,010	13
Total	1,547	2,354	52
<i>Metro</i>			
Municipalities	836	1,450	73
School Boards	807	948	17
Total	1,643	2,398	46
<i>Rest of Province</i>			
Municipalities	628	884	41
School Boards	721	965	34
Total	1,349	1,849	37
<i>Total Local Sector</i>			
Municipalities	693	1,190	72
School Boards	799	976	22
Total	1,492	2,166	45

The growth in total spending per household in the regions was higher than both Metro and the rest of the Province but it still ranked second to Metro in terms of actual dollars spent per household.

Revenue Fund Expenditure per Household

Table 8

	1970	Est. 1975	Percent Change 1975/70
	\$	\$	%
<i>Regions</i>			
Municipalities	483	909	88
School Boards	724	962	33
Total	1,207	1,871	55
<i>Metro</i>			
Municipalities	652	1,036	59
School Boards	672	893	33
Total	1,324	1,929	46
<i>Rest of Province</i>			
Municipalities	489	758	55
School Boards	635	889	40
Total	1,124	1,647	47
<i>Total Local Sector</i>			
Municipalities	531	882	66
School Boards	674	915	36
Total	1,205	1,797	49

Note: See Appendix A10 for a more detailed analysis by region.

(ii) Distribution of spending between current and capital

Current and capital spending over the period is shown in Tables 8 and 9, respectively. Metro had a high current spending per household component because it is an established area with a full mix of high quality services. The regions' current spending component is growing faster than Metro's. They have been expanding their quality and levels of service in a period of high prices.

The per household spending in the rest of the Province was considerably lower than both Metro and the regions largely because this group contains a large portion of rural Ontario. Policing in the rural areas is done mainly by the Ontario Provincial Police and as such it is not shown as part of municipal spending. In Metro and the regions, garbage collection, sewage disposal and water services are provided by the municipalities whereas in many counties, people tend to provide services by purchasing them from the private sector or by installing septic and well systems.

The above are also reflected in the regions' high capital spending per household in that they needed to provide new

Capital Fund Expenditure per Household

Table 9

	1970	Est. 1975	Percent Change 1975/70
	\$	\$	%
<i>Regions</i>			
Municipalities	173	436	152
School Boards	166	48	(71)
Total	339	484	43
<i>Metro</i>			
Municipalities	185	415	124
School Boards	136	55	(60)
Total	321	470	46
<i>Rest of Province</i>			
Municipalities	139	126	(9)
School Boards	86	76	(12)
Total	225	202	(10)
<i>Total Local Sector</i>			
Municipalities	162	308	90
School Boards	125	61	(51)
Total	287	369	29

service facilities and expand existing facilities to meet their realized and anticipated growth during a period of higher prices.

Metro's capital spending was the second highest in 1975, \$470 per household, partly because of the costs involved in developing and maintaining a high volume mass-transit system in a developed area.

(c) Inflation

Over the past five years, inflation emerged as the single most important factor contributing to higher costs in all municipal governments. However, it appears to have hit the regions most severely, accounting for between 40 and 60 percent of their increased costs depending on the service. Table 10 shows the extent to which the price indices for the regions exceed those for Metro and the rest of the Province.

The fact that the regional indices exceeded the GNP Implicit Price Deflator suggests that the reorganized municipalities were affected by inflation to a greater degree than the rest of the economy in general. This can be attributed at least partly to the tendency for salaries and benefits after reorganization to move toward the highest level that existed in the area prior to reorganization. If two municipalities were joined to form one, all salaries and benefits were

Indices of Inflation

Table 10

1970-1975
1970 = 100

	GNP Implicit Price Deflator ¹	Municipal Price Indices ²		
		Regions	Metro	Rest of Province
General Government	144.9	151.3	144.1	143.9
Fire and Policing	144.9	158.7	150.2	140.4
Transportation	144.9	146.2	147.9	144.2
Environmental	144.9	145.5	143.7	143.8
Health	144.9	149.6	146.3	147.0
Social and Family	144.9	148.9	155.5	148.2
Recreation and Cultural	144.9	146.0	147.2	146.1
Planning	144.9	153.0	141.8	142.1

Source: 1. Statistics Canada.

2. Internal Ministry study, Ministry of T.E. & I.A.

Note: See Appendix A34 for an explanation of methodology.

almost immediately increased to the higher level. This was necessary because two employees doing similar jobs in a single organization had to be paid the same salary or wage.

(d) Increased Volumes of Services⁶

Second in importance to inflation was the increase in volume of services. This factor contributed between 20 and 40 percent of the increase in spending depending on the service. Increases in the volume of services are necessary because of general economic

Percent Changes in
Selected Volume of Service Indicators
1970-1975

Table 11

	Regions	Metro	Rest of Province
	%	%	%
No. of Firefighters	30	15	17
No. of Policemen	26	11	8
No. of Lane Miles of Roads	24	15	15
No. of Welfare Recipients	20	6	9
No. of Children's Aid Societies cases	15	7	11
No. of Health Units Employees	22	9	10
No. of Children in Day Nurseries	84	26	31
No. of Home for the Aged Residents	23	8	11
Sewage Gallonage Treated	33	14	23

Source: Provincial ministries and agencies and survey of municipalities.

⁶Volume of service refers to the actual quantity of the service provided. For example, in the case of garbage collection, tonnage of garbage collected is a measure of volume of service. If the number of households increases, and more garbage needs to be collected then the volume of service is said to have increased and the resulting cost increases are said to be due to an increase in volume.

Selected Service Level Indicators Table 12
(Per 1,000 population unless otherwise indicated)

	1970			1975		
	Regions	Metro	Rest of Province	Regions	Metro	Rest of Province
No. of Firefighters per 1,000 households	2.8	4.2	1.8	3.0	3.8	1.5
No. of Policemen	1.2	1.7	1.1	1.4	2.3	1.1
No. of Lane miles of roads per 1,000 households	42.7	10.3	128.4	33.1	9.1	113.7
No. of General Assistance Recipients	14.7	23.8	20.4	14.3	17.9	17.6
No. of Children's Aid Society cases	4.2	6.1	4.7	2.9	4.9	4.7
No. of Health Unit Employees	0.4	0.5	0.4	0.4	0.6	0.5
No. of Children in Day Nurseries	0.5	1.0	0.6	1.9	3.1	2.0
No. of Residents in Homes for the Aged	1.6	1.3	2.8	1.6	1.3	3.0
Sewage Gallonage Treated (thousands) per 1,000 households	361.3	429.1	207.8	386.7	371.2	281.4

Source: Provincial ministries and agencies and survey of municipalities.

growth, particularly growth in population, households and commercial and industrial activity. In the regions, growth in these areas as noted earlier, has been very high.

Table 11 illustrates the extent to which volume increases in some services in the regions exceeded those experienced both in Metro and the rest of the Province. For example, the 1970 to 1975 increase in the number of firefighters in the regions induced by growth was 30 percent. This compares with an increase of 15 percent in Metro and 17 percent in the rest of the Province.

(e) Increased Levels of Service⁷

Increased levels of service accounted for between 20 percent and 30 percent of the increase in spending. Table 12 shows a number of service level indicators and compares them to those of the other two municipal categories.

⁷Level of service refers to the qualitative nature of the service provided. In the case of garbage collection, the number of pick-ups per week would constitute a measure of the level of service. If the number of pick-ups per week is increased then the level of service is said to have increased.

Table 12 suggests that in regions, both at the upper and lower tier, service levels increased from the below average positions before reorganization to the standards enjoyed by the more developed areas.

Service levels for roadways declined. This is due to the extensive upgrading of the road system which was carried out by both the Province and the municipalities before local government reorganization. Consequently, no major roadway projects were necessary over the period in all three municipal categories.

Two other reasons for the relative importance of this factor are the tendency of lower-tier municipalities to significantly expand their spending on those services which remained under their jurisdiction after reorganization and the need for upper tier municipalities to expand those services for which they assumed additional responsibilities. The first is best illustrated, in Table 13, by recreation. Spending on this service increased by 170 percent during the five year period.

Revenue Fund Spending on Selected
Municipal Services in Regions

Table 13

	1970	1975	Percent Change (1975/1970)
	\$ Million	\$ Million	%
General Government Services	33.9	96.3	184
Fire	28.2	58.6	108
Police	39.4	93.4	137
Roadways	95.8	179.2	87
Sewers	24.7	62.4	153
Garbage Collection and Disposal	13.6	32.7	140
Health and Social Services	70.4	157.7	124
Recreation	38.3	103.4	170
Planning	7.4	25.9	250

Source: Financial reports and budgets of municipalities.

Note: See appendices A11 to A20 for a more detailed analysis by region.

Planning and general government services, illustrate the second reason. Spending on these services increased 250 percent and 184 percent respectively.

(f) Spending Performance Summary

A simple question often raised regarding reorganized municipalities is whether they are wasting large amounts of taxpayer dollars. The rates of increase in their spending make the question reasonable.

The previous sections put the spending performance by reorganized municipalities in perspective. Measured on a per household basis, the rate of increase in spending does not appear as unreasonable as it would if it is just viewed as a change in absolute amount. Changes in service levels indicate tangible returns for the money spent and these increases are comparable to experience elsewhere in the Province. Service levels are also being improved in Metro and in the rest of the Province. Reorganized municipalities are not unique in this regard. What sets them apart is that improvements in service levels are being undertaken in conjunction with higher growth in population. This means higher spending increases than in the other two municipal categories.

Spending Increases in Regions Explained by Inflation, Volume of Service and Level of Service Table 14

	Inflation	Volume of Service	Level of Service
	%	%	%
General Government Services	51	27	22
Fire	59	30	11
Police	59	26	15
Roadways	46	24	30
Sewers	45	33	22
Garbage Collection and Disposal	45	27	28
Health and Social Service	50	20	30
Recreation	46	16	38
Planning	53	27	20

Source: Ministry of T.E. & I.A.

Table 14 indicates the relative importance of the volume of services, the levels of services and inflation in explaining growth in spending since 1970. Other factors such as catch-up on service level backlogs and the problems of financing growth are discussed more specifically in a following section.

The preceding analysis suggests that there have been good reasons behind the increase in regional spending. It does not prove, however, that reorganized municipalities have been as efficient and prudent in their spending as possible. The main documented evidence of doubtful performance is given in the relative rates of inflation for the various municipal services among the three municipal categories. Reorganized municipalities have experienced the highest rates of inflation for most services. The major portion of the higher inflationary costs is due to a tendency by reorganized municipalities to move to the highest wage or salary levels when two or more municipalities were amalgamated or a service was transferred to an upper tier. However, there is evidence, to suggest that

the wages and salaries which reorganized municipalities established for senior administrators alone, appear to have exceeded the general tendency for all employees and are higher than necessary.

Reorganized municipalities tend to pay higher wages and benefits to their senior administrators than other comparable jurisdictions in the Province. For example, the senior administrator for social services in one region has the highest salary in Ontario for his position despite a lower case-load than all other regions and a narrower range of responsibilities than in Metro Toronto.

In some regions it is apparent that the upper tiers went into competition with their lower tier municipalities for staff. It is understandable that councils of lower tier municipalities would not want to lose all of their senior staff to the newly created upper tier. However, there were only one or two top administrative jobs at the upper-tier level that would have likely attracted senior staff from the lower-tier. Moreover, there were in some cases five or more lower tier municipalities from which to select such staff. Surely one or more of the lower tiers had adequate replacements within their own operations. The so called "whipsaw" effect and the long term implications for the taxpayer are well known.

The financial implications of these factors are relatively minor. The overall effect accounts for less than 5 percent of the increase in spending by reorganized municipalities. Because of their size in relation to the rest of the Province, including Metro, it is likely that as leaders in the hiring market reorganized municipalities probably caused some increases in spending by the rest of municipal sector.

2. Revenue Performance

(a) Overview

The four major sources of revenue available to local government are:

- property taxation
- provincial assistance
- borrowing, and
- other revenue in the form of licences, fees, lot levies, etc.

The financing performance of the regions in relation to Metro and the rest of the Province is highlighted in Table 15.

Table 15 illustrates the importance of property taxation and provincial assistance as sources of local financing. Throughout the period, these two sources have accounted for well over 80 percent of total financing. The Table also puts in perspective the relative size of the regions' financial base. In 1975, almost \$3.0 billion in provincial assistance and nearly \$2.4 billion in property taxes were

Total Revenues by Source

Table 15

	1970		Est. 1975		Percent Change 1975/1970
	\$ Million	% Share	\$ Million	% Share	%
<i>Regions</i>					
Provincial Assistance	447.3	38	1,002.2	46	124
Property Taxation	503.0	42	802.7	37	60
Long Term Borrowing	131.1	11	179.1	8	37
Other Revenue	104.1	9	196.8	9	89
Total	1,185.5	100	2,180.8	100	84
<i>Metro</i>					
Provincial Assistance	278.4	26	645.5	36	132
Property Taxation	612.0	58	875.3	48	43
Long Term Borrowing	100.0	9	158.6	9	59
Other Revenue	74.7	7	125.5	7	68
Total	1,065.1	100	1,804.9	100	69
<i>Rest of Province</i>					
Provincial Assistance	654.8	48	1,299.3	57	98
Property Taxation	484.8	36	679.0	30	40
Long Term Borrowing	108.7	8	109.3	5	1
Other Revenue	110.9	8	182.7	8	65
Total	1,359.2	100	2,270.3	100	67
<i>Total Local Sector</i>					
Provincial Assistance	1,380.5	38	2,947.0	48	113
Property Taxation	1,599.8	44	2,357.0	37	47
Long Term Borrowing	339.8	10	447.0	7	32
Other Revenue	289.7	8	505.0	8	74
Total	3,609.8	100	6,256.0	100	73

Source: Financial reports and budgets of municipalities, school boards and unconsolidated local boards.

Note: See appendices A21, A22, A25, A26, A32 and A33 for a more detailed analysis of each source of revenue by region.

transferred to and raised by local governments. The regions accounted for more than one-third of these totals.

During the five-year period, given the spending increases of the regions, their total taxation increased more than in Metro and the rest of the Province; 60 percent as against 43 percent and 40 percent. However, if that part of the increase associated with growth is discounted by expressing the levels of taxation in each category on a per household basis, the increase in the regions was much closer to those in Metro and the rest of the Province; 26, 23 and 20 percent, respectively.

Provincial assistance not only to the regions but also to the other two categories, has grown significantly since 1970. For example, the Table shows that in the regions the increase was twice that of taxation. In Metro, it was three times and in the rest of the Province, it was more than twice. This increased support has played a large part in keeping the growth of property taxes to less than 5 percent per year.

In dollar terms, total provincial assistance increased 124.1 percent to the regions; 98.4 percent to the rest of the Province and 131.9 percent to Metro. The higher increase for Metro reflected to a large extent the Province's policy of increased support for public transit systems.

One of the results of this increased financial support has been the reduced reliance on property taxation as a source of financing.

(b) Special Provincial Assistance to The Regions During The Transition Period

In recognition of start-up costs resulting from the reorganization program, shifts in the sharing of costs and the need to expand services on a regional basis, the Province provided two kinds of special assistance to reorganized municipalities:

- special assistance for organizational expenses and for the development of services on a regional basis;
- transitional grants to phase-in property tax shifts both among and within reorganized municipalities.

Transitional and Special Assistance
Paid and Committed 1970 to 1980

Table 16

	Paid (1970-1975)	Committed (1976-1980)	Total
	\$ Million	\$ Million	\$ Million
Special Assistance	24.1	36.0	60.1
Transitional Assistance	16.9	16.0	32.9
Total	41.0	52.0	93.0

Source: Public accounts and Ministry of T.E. & I.A. estimates.

Table 16 shows the total amount of transitional and special assistance grants the Province has made and has committed to make to the restructured municipalities during the period 1970 to 1980. Very probably the phase-in period will be extended beyond the year 1980 to accommodate certain major services designated as regional responsibilities which have not yet been transferred. These postponements are necessary to ensure that the transition takes place in a smooth and orderly manner. Reorganized municipalities have not been forced to assume responsibility for services before their

administrations can cope or vital planning is completed. The success of this particular program has been amply demonstrated by the relatively moderate increase in property taxes experienced in the regions in relation to both Metro and the rest of the Province.

In addition to this program of interim assistance, the Province introduced, on a permanent basis, enriched per capita grants to provide these reformed local governments with adequate financial resources to discharge their new and enlarged responsibilities. The new grant rates to the regions called for a basic rate of \$9 per capita, plus \$12 per capita if policing is a regional function, plus \$1 to \$5 per capita based on the population density of the lower tier municipalities. This compares to a basic rate of up to \$8 per capita on a graduating scale based on population, plus \$8 per capita for police in the rest of the Province. There are no density grants in the non-regionalized municipalities. In 1975 alone, this program delivered an additional \$19.5 million in provincial funds to the regions.

(c) Distribution of Total Provincial Assistance

The distribution of each dollar of provincial assistance to the three types of local governments in each group, as set out in Table 17, shows that the school boards received by far the largest share between 42¢ and 60¢. The lower rate of provincial support to Metro school boards stems from the fact that provincial grants to school boards are related to the relative wealth of the community, measured in terms of property assessment per pupil. Metro as a commercial and financial centre has a substantial assessment base and therefore, benefits to a lesser extent from these grants.

Distribution of Each 1975 Dollar
of Provincial Assistance

Table 17

	Regions	Metro	Rest of Province
	¢	¢	¢
Lower Tier Municipalities	17	15	32
Upper Tier Municipalities	26	43	8
School Boards	57	42	60

Note: See Appendices A22 and A23 for a more detailed analysis by region.

The second largest share is being received, with the exception of counties, by the upper tier units. These units in both the regions and Metro have been allocated greater service responsibilities and as a result, attract high provincial grant rates. Also, the general unconditional per capita grants are paid to the upper tiers in both the regions and Metro and credited to their lower tier municipalities in the regional requisitions. This explains the higher allocation of grants to these jurisdictions.

Proportion of Spending Financed
by Provincial Assistance in 1975

Table 18

	Regions	Metro	Rest of Province
	%	%	%
Lower Tier Municipalities	23	22	49
Upper Tier Municipalities	43	42	68
School Boards	58	37	71

Note: See Appendix A24 for a more detailed analysis by region.

(d) Proportion of Spending Financed by Provincial Assistance

In the regions and in the rest of the Province, school boards rely to a much greater extent on provincial assistance to finance their spending than the other local governments. Table 18 shows that the proportion of school boards' spending financed by the Province in the rest of the Province was 71 percent. In the regions, the proportion was somewhat lower, 58 percent. However, it was still substantially higher than in Metro where for the reasons stated earlier, school boards financed only 37 percent of their spending from provincial assistance. On the municipal side, the upper tier units in all three categories rely much more heavily on provincial assistance than the lower tier municipalities. In Metro and the regions, the proportions are relatively equal, 42 and 43 percent, respectively, reflecting the similarity of their service responsibilities. The counties have fewer but highly subsidized services and consequently rely on provincial assistance to a greater degree. The greater reliance by lower tier municipalities in the rest of the Province on provincial support is explained by the fact that the per capita grants are paid directly to them rather than to the upper tier as in Metro and the regions.

(e) Distribution of Property Taxation

Table 19 shows how each property tax dollar raised in each category was shared by the school boards and the lower and upper tier municipalities. In the regions and Metro, the largest portion of each tax dollar raised, 44¢ and 48¢ respectively, went to the school

Distribution of 1975 Property Tax Dollar

Table 19

	Regions	Metro	Rest of Province
	¢	¢	¢
Lower Tier Municipalities	34	25	51
Upper Tier Municipalities	22	27	6
School Boards	44	48	43
Total	100	100	100

Note: See appendices A26 and A27 for a more detailed analysis by region.

boards. The area municipalities took the next largest portion and the upper tiers, the smallest. This distribution of the tax dollar demonstrates that the upper tier jurisdictions have had only limited influence on increases in the level of property taxation.

The distribution in the rest of the Province was somewhat different in that the lower tier municipalities took 51¢ of every dollar raised. The school boards were second with 43¢. The counties, as noted earlier, because of their limited service responsibilities and reliance on provincial assistance as a source of financing, received only 6¢.

(f) Proportion of Spending Financed by Property Taxation

The upper tiers in all three categories rely to a much lesser extent on property taxation to finance their spending than the lower tier municipalities and school boards. In the regions, for example, Table 20 shows that only 29 percent of their spending was met out of property taxes. In Metro, reliance on the property tax as a source of financing was greater than in either the regions or the rest of the Province. With the exception of Metro school boards, the units which depended heavily on the property tax were the lower tier municipalities. Their dependence ranged from 39 percent in the regions to 49 percent in Metro. The difference associated with the Metro school boards was touched upon earlier.

Proportion of Spending Financed
by Property Taxation in 1975

Table 20

	Regions	Metro	Rest of Province
	%	%	%
Lower Tier Municipalities	39	49	40
Upper Tier Municipalities	29	36	25
School Boards	35	59	27

Note: See Appendix A28 for a more detailed analysis by region.

(g) Property Tax on The Homeowner and Tenant

Gross residential property taxes per household have increased about 5 percent per year since 1970 in the regions. This compares with increases of slightly less than 4 percent per year in both Metro and the rest of the Province. Table 21 also shows, that in dollar terms, the regions still remained significantly below those in Metro. The relatively low level of taxation in the rest of the Province is explained by the rural composition of the category. The figures shown in Table 21 have not been adjusted to reflect the property tax credit payments which the Province has made directly to individual homeowners and tenants since 1972. The program was designed to reduce the burden of the property tax on residential taxpayers. In

Average Gross Residential
Property Tax Per Household

Table 21

	1970	Est. 1975	Percent Change 1975/1970
	\$	\$	%
Regions	371	465	25
Metro	462	544	18
Rest of Province	279	330	18

Note: See Appendix A30 for a more detailed analysis by region.

1975, the program delivered between \$375 million and \$395 million to Ontario homeowners and tenants and on the average helped reduce their level of property taxes by more than 20 percent.

An additional useful measure of the burden of property taxation on the residential taxpayers is the relationship which the tax bears to personal income. This measure provides an indication of ability to pay property taxes. Table 22 shows that the levels of taxation in both the regions and Metro, expressed in this manner, were not significantly different than those in the rest of the Province.

Gross Residential Property Taxation
as a Proportion of Personal Income*

Table 22

	1970	Est. 1975
	%	%
Regions	3.7	2.9
Metro Toronto	4.2	2.9
Rest of Province	3.9	2.6

*Figures have not been reduced by the amounts of property tax credit payments made by the Province to Ontario homeowners and tenants.

Note: See Appendix A31 for a more detailed analysis by region.

(h) Long Term Borrowing

Long term borrowing finances about 7 percent of local government spending. In the regions and Metro, borrowing has become an upper tier responsibility. This has resulted in preferential interest rates and better coordination of capital planning and budgeting within each region.

Table 23 shows the extent to which borrowing has been used as a source of financing in both the regions and the other two categories. The increase in borrowing in the regions compared with the marginal increase in the rest of the Province reflects the capital commitments made in the restructured areas, consistent with their current and expected growth. The relatively substantial increases experienced in

Total Long Term Borrowing

Table 23

	1970	Est.* 1975	Percent Change 1975/1970
	\$ Million	\$ Million	%
Regions	131.0	179.1	37
Metro	100.0	158.6	59
Rest of Province	108.7	109.3	1

*The amounts shown may not strictly coincide with the December 31st cut-off date.

Note: See Appendix A32 for a more detailed analysis by region.

Metro reflect the massive public transit capital commitments undertaken recently.

(i) Other Revenue

Other revenue accounts for less than 10 percent of local government financing. The major components of this source of revenue are user and service charges in the form of licenses, fees, lot levies, etc.

With the fast development in the regions, lot levies have played a greater role as a source of revenue. This accounts for the higher increase of other revenue in the regions compared with Metro and the rest of the Province.

Other Revenue

Table 24

	1970	1975	Percent Change 1975/1970
	\$ Million	\$ Million	%
Regions	104.1	196.8	89
Metro	74.7	125.5	68
Rest of Province	110.9	182.7	65

Note: See Appendix A33 for a more detailed analysis.

(j) Revenue Performance Summary

The revenue performance for the total local sector shows that despite large increases in spending over the period, property taxation has remained relatively stable not only in Metro and the rest of the Province, but also in the regions. This was made possible by the large increases in provincial transfers to each municipal category. Also, with household incomes increasing substantially at the same time, property taxation as a proportion of household income has declined. Income tax credits further reduced property tax burdens for low income groups and special credits for the aged and farmers have had an additional benefit.

The moderate increase in property taxation experienced during the period also indicates that municipalities and school boards in all three categories exercised some restraint. They used most of their additional provincial assistance to stabilize tax rates rather than expand services. This kind of restraint on spending will have to be demonstrated to an even greater degree in the future as the rate of increase in provincial transfers is contained.

V. Financial Problems in Regional Governments

All governments in the Province have had financial difficulties in providing public services during this period of high inflation. Reorganized municipalities have faced special problems, such as:

- assimilating property tax shifts among their taxpayers;
- expanding public services to catch-up on a backlog of requirements during a period of high inflation;
- developing efficient administrations quickly to cope with their increased responsibilities; and
- financing higher rates of growth than other municipalities.

1. Tax Shifts in Reorganized Municipalities

(a) Tax Shifts Due to Amalgamations

Amalgamation of small municipalities or parts of municipalities brought together areas which, in the past, logically constituted single communities. This had an effect on the distribution of property taxes for lower tier municipal services.

The best known examples of property tax shifts occurred where taxpayers in urbanizing areas in a former rural municipality were amalgamated with their appropriate urban core. These areas paid for only the basic minimum of public services directly, usually just for street maintenance, lighting and garbage collection. However, such areas often received the benefit and even direct use of services from the urban core such as fire and police protection, parks, recreation, libraries and other cultural facilities.

Restructure brought these areas under a single municipal jurisdiction and eventually they were required to contribute toward costs on the same basis as other taxpayers in main urban centres. If nothing else had changed immediately after restructure, taxpayers in the urban core areas would have experienced decreases in tax levies while those in the urbanizing areas would have experienced increases.

Provincial transitional transfer payments were designed to phase-in 25 percent of any increases in property taxes due to lower-tier municipal restructure. In addition, the provincial income tax credit and farm tax reduction programs absorb substantial proportions

of the shifts, particularly for lower income groups. Also, the new lower tier municipal councils phased-in increases to the merged areas.

The main point is that it was known prior to restructure that tax shifts would occur. A decision was made that they should occur, but programs were either established (transitional grants) to phase-in the increases, or existed (income tax credits and farm tax reduction), to limit the full effect of such shifts on certain income groups. Table 25 shows the effect of transitional grants in two municipalities.

Effect of Internal Transitional Grants on Local General Levy and Residential Mill Rate Table 25

	City of Oshawa (E. Whitby Part)			City of Brampton (Toronto Gore Part)		
	1974	1975	% Change	1974	1975	% Change
<i>Effect on Local</i>						
<i>General Levy (\$000)</i>						
Gross Mun. Levy	250	268	7	149	182	22
Internal Trans. Grant	95	76	(20)	81	65	(20)
Net Mun. Levy	155	192	24	68	117	72
<i>Effect on Residential Mill Rate</i>						
Gross Residential Mill Rate	32.6	34.2	5	7.4	8.5	15
Mill Rate Equivalent of						
Transitional Grant	12.4	9.7	(22)	4.0	3.0	(25)
Net Residential Mill Rate	20.2	24.5	21	3.4	5.5	62

Source: Financial reports and budgets of municipalities.

The magnitude of the shifts that actually occurred have been somewhat higher than expected because municipalities increased property taxes to meet higher costs due to inflation and expansion of services. For the same reason, property tax reductions in the urban core did not decrease as much as expected. However, local councils could have decided to postpone expansion of services during a period of increasing costs.

(b) Tax Shifts Due to Transfer of Responsibilities

The experience regarding services that became regional responsibilities was virtually the same. For example, some taxpayers in regions did not contribute directly to the cost of police services. As a regional service, all property taxpayers contribute on the same basis. It was intended that property taxpayers not contributing directly for services such as police and inter-municipal roads would experience increases while those that had contributed fully would experience decreases. The increases became greater with the effects of inflation and expansion of services while the decreases were practically eliminated.

Provincial programs to phase-in increases were the same in principle except that the Province paid transfers to cover 100 percent of the tax shift in the first year, reducing 20 percent annually over a five-year period. Again, the income tax credit and farm tax reduction programs provided protection for low income groups and farmers. Table 26 shows the effect of provincial transitional assistance for two municipalities.

Effect of External Grants on
Regional Levy and Residential Mill Rate

Table 26

	Twp. of Uxbridge			Town of Caledon		
	1974	1975	% Change	1974	1975	% Change
<i>Effect on Regional Levy (\$000)</i>						
Gross Regional Levy	468	513	10	558	620	11
External Trans. Grants	154	123	(20)	227	182	(20)
Net Regional Levy	314	390	24	331	438	32
<i>Effect on Residential Mill Rate</i>						
Gross Res. Mill Rate	27.7	29.2	5	2.9	2.9	—
Mill Rate Equivalent of Transitional Grants	9.1	7.0	(23)	1.2	0.8	(33)
Net Residential Mill Rate	18.6	22.2	19	1.7	2.1	24

Source: Financial reports and budgets of municipalities.

(c) Taxpayer Criticisms

Much of the taxpayer criticism of local government reorganization has been because of tax shifts. Taxpayers in the urbanizing areas of rural municipalities were accustomed to paying for additional services on a "fee-for-services" basis. This was possible for the relatively minor service differences they received compared to the rest of their municipality which was rural. These "fees-for-service" did not cover those services they received indirectly from the urban core such as libraries and recreation facilities. Therefore, the increase in taxes they were required to pay after reorganization represented a tax catch-up to the urban core.

Moreover, the expansion of services was not expected to occur immediately after restructure. The phasing-in of tax increases took into account the time-lag between reorganization and necessary expansion of services.

As a final point on this issue, although tax increases for urbanizing areas in recently reorganized regions have been significantly higher than for former urban cores, the absolute amount of property taxes were lower during the phase-in period.

Average residential taxes per household for municipal services in the reorganized municipality of Cambridge shows this difference

Average Total Residential Taxes
on \$25,000 Equalized Assessment

Table 27

	1972	1974	1975	Percent Change 1975/1972
<i>City of Cambridge*</i>	\$	\$	\$	%
Former Local Municipalities				
City of Galt	646	699	816	26.3
Town of Preston	594	668	778	31.0
Town of Hespeler	528	626	735	39.2
Township of North Dumfries	317	422	588	85.5
Township of Waterloo	377	520	645	71.1

*Reorganized in 1973.

Source: Financial report and 1975 Levy By-Law of the municipality.

in Table 27. For the period 1972 to 1975, property taxes increased by 26 percent in the former City of Galt, but 85 percent in former North Dumfries. However, for the same equalized assessment, taxes were \$816 in the former and only \$588 in the latter.

However, assessment methods used in municipalities prior to reorganization have produced different property tax levels for comparable properties in urban cores compared to their merged areas. Anomalies due to different assessment practices will be eliminated after Province-wide reassessment.

2. Service Backlogs

Regions and their area municipalities have had two types of service backlogs:

- need to upgrade services in urbanizing areas; and
- work that had been postponed immediately prior to reorganization.

The first type of backlog was recognized before reorganization. With reorganization, such services could be expanded at the optimum scale. Average costs probably would be lower for both the immediate users as well as those arriving with growth and development.

The magnitude of the second type of backlog was not recognized fully. In some regions and their area municipalities, the full implications only became known several years after reorganization.

This type of backlog includes almost all services. The most dramatic has been for sewer and water. For example, the Region of Durham identified a backlog of work that would cost about \$8 million in 1975 to complete. All work was quite urgent to bring the quality of this service to a tolerable standard. A similar situation existed in Haldimand-Norfolk.

The reason for these backlogs was that many municipalities which were about to be reorganized decided to cut back on their spending. The typical pattern was for spending in the year prior to reorganization to be lower or only slightly higher than that two or three years prior to reorganization. This was at a time of high inflation and in many areas, rapid growth.

Such decisions to postpone spending were not necessarily irresponsible. It was known that responsibilities and priorities would change and the municipal jurisdiction would cover larger areas for which projects should be integrated. Only hindsight is perfect. Nevertheless, it costs more to build a mile of road or to install a mile of sewer in 1975 and 1976 than it did in 1972 and 1973.

Provincial special assistance grants apply only to expansion of services on a regional basis and \$24 million was paid over the period. Regional governments and their area municipalities must now face the tough decision of either expanding services or postponing them indefinitely. For certain vital services such as sewage treatment and water supply, councils do not have alternatives.

3. Developing Efficient Administrations

A number of regions have started formal reviews of their operating procedures aimed at improving their delivery of services, particularly in cooperating and avoiding duplication with their lower tier municipalities. The Sudbury Region seems to have taken the largest step. At the time of reorganization, the absence of an upper tier jurisdiction made the best allocation of responsibilities between two levels of local government difficult. Therefore, their need to adjust was probably greatest.

Also, employees in a number of regions and their area municipalities have been moved to work in units more suited to their abilities and interests in the new administrative structure.

Perhaps most important, some councils and their staffs have developed sound budgeting and administration practices very quickly. These appear to be far superior to previous operations and in many instances, good models for established governments in the rest of the Province.

4. Financing Growth

The many financial problems associated with reorganization have caused regions and their area municipalities either to hesitate before committing themselves to continued high rates of growth, or to rely more heavily on other sources of revenue to finance it, especially lot levies. Generally, however, they have not caused a significant reduction in the rates of growth to date. Sub-divisions and other developments that

were approved prior to reorganization in the newest regions are now reaching completion.

Lot levies or developer charges have been permitted under the *Planning Act* and the *Municipal Act* for some time. Essentially, additional development requires expansion of existing public services such as sewage or water treatment plants and arterial roads. Legislation permits the development that causes expansion in public services to bear the cost of that expansion.

Municipalities have been strongly criticized for large increases in their lot levy or developer charges in recent years. Although regions and their area municipalities have not been the only municipalities to increase these charges, criticisms have focused on this group because it has experienced more development than other parts of the Province. High demand will likely continue in these areas.

Criticisms have centred on how much developers and inevitably the ultimate consumers should be required to pay in the form of lot levies or developer charges. It is argued that by setting the charges so high, these municipalities are restricting development. At the very least, these municipalities are accused of increasing the cost of housing at a time when the supply of housing for low and moderate income groups is very low.

It is very difficult to make universal judgments about lot levies or developer charges. There are wide variations among municipalities in the capacities of their existing service infrastructures and choices of service levels. If an existing municipality has excess capacity in its sewage treatment plant or arterial roads system, additional development should reduce the costs to all consumers or users in the community. In this case, existing development would benefit financially from additional development.

The policies represented by the amounts and the uses of lot levies in some of the reorganized municipalities raise serious questions about the sharing of public service costs between new and existing development. At the extreme, some municipalities have required developers to contribute the full cost of sewer and water plants as a condition of approval for a new sub-division. Clearly, these charges more than covered the cost of expanding the services required to accommodate new development.

In more developed areas, lot levies or developer charges have been imposed to cover arterial roads in a new sub-division. This is consistent with the intent of the legislation. However, if an additional arterial road system is required in a fully developed area, the costs are usually met through the general levy. Both the new and existing development contribute to this levy on the same basis, namely the assessed valuation of their real property. In effect, the municipality uses a form

of area rate or local improvement charge for one group of taxpayers, but for another group it distributes the costs for the same type of service among all taxpayers.

The issue described above is not concerned with the amounts that should be charged to new development, but rather that the treatment of both groups be consistent and equitable. Practises in many regions and their area municipalities seem to attract valid criticism.

As a minimum, to ensure consistency in the treatment of new development, Regions and their area municipalities should clearly establish policies on:

- service levels for all areas within their jurisdiction, thus identifying the difference between backlog in developed areas and the requirements of areas to be developed; and
- financing plans for both types of areas.

Both the new and old taxpayers in a community should know who pays for what and how much.

VI. Conclusion

The main conclusion that must be derived from the facts presented in this review is that reorganized municipalities have performed well. However, the circumstances under which they have operated have not been fully appreciated, even by those directly involved in municipal government reform.

A clear distinction is not often made between the problems that are an inevitable part of reorganization and problems that existed and would have continued whether reorganization took place or not. The most difficult problems and those which will continue for some time are associated with growth and development. The nature and scale of these problems can be measured in terms of their social and economic dynamics, as shown in Chapter III. Reorganization did not cause these on-going growth problems nor was it intended as their solution, but as the means to cope with them.

It has been Ontario Government policy to have responsible local governments deal with these issues directly. The provincial role has been to ensure that local governments have appropriate legal authority and adequate financial resources. Increases in provincial transfers to reorganized municipalities indicate a willingness to tackle these problems on a partnership basis. The provincial role has been well documented.

The problems directly attributable to reorganization have been mainly transitional in nature. Most reorganized municipalities have had service back-logs to catch-up. Although necessary service expansions and improvements have caused relatively rapid increases in spending, the most urgent projects have now been undertaken and more orderly growth can be expected in future, even in the newest regions.

It must be stressed that this review has not dealt with all the problems facing local government. It focuses on those issues that could be considered objectively and for which performance could be measured. There are other problems which are equally pressing for reorganized municipalities, but which are difficult to evaluate in terms of their financial implications. Examples are changing community priorities toward land use, environmental protection and growth which have added to the cost of providing public services now.

This review has outlined the municipal organization and fiscal changes without evaluating their effectiveness. In terms of financial performance, it seems that the changes were appropriate. However, the effectiveness of municipal reform should be examined periodically. Such studies are now underway in Niagara, Ottawa-Carleton and Metro Toronto. The findings and recommendations of these studies will be useful when changes in other reorganized municipalities have to be considered.

This review suggests some directions for the immediate future. With prices still increasing at high rates, it is apparent that reorganized municipalities must re-examine their priorities carefully as well as the timing of major expenditures. A balance between catch-up and expansion must be struck. If this balance is not found, there will be understandable concern about the level of spending and mill rates in reorganized municipalities. Perhaps most important, co-operation between area municipalities and their respective upper-tiers will be necessary. If both levels of municipal government seek to expand their services at the same time, the tax increases upon their mutual taxpayers could become excessive.

For its part, the Province should place greater emphasis on helping reorganized municipalities cope with the problems of growth. With Metropolitan Toronto rapidly reaching its preferred limits of growth, pressures in other areas will increase. Compared to their existing development, the relative scale of growth in the regions could be greater than that experienced by any municipality in Ontario in the past. Clearly, the Province should view growing regions as a high priority for any increase in provincial spending.

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Population: 1970-1975

Table A1

	1970	Est. 1975	Percent Change 1975/1970
			%
Durham	210,788	234,465	11
Haldimand-Norfolk	83,420	85,840	3
Halton	179,507	221,259	23
Hamilton-Wentworth	388,091	408,466	5
Niagara	337,642	358,663	6
Ottawa-Carleton	447,747	506,592	13
Peel	232,230	354,317	53
Sudbury	150,960	166,121	10
Waterloo	243,542	286,281	18
York	157,311	195,141	24
Muskoka	27,310	33,445	22
<i>Totals</i>			
Regions	2,458,548	2,850,590	16
Metro	1,988,430	2,152,269	8
Rest of Province	2,769,583	3,049,901	10
Total Local Sector	7,216,561	8,052,760	12

Households: 1970-1975*

Table A2

	1970	Est. 1975	Percent Change 1975/1970
			%
Durham	64,106	77,022	20
Haldimand-Norfolk	30,739	33,520	9
Halton	52,004	68,634	32
Hamilton-Wentworth	122,596	143,030	17
Niagara	106,429	124,794	17
Ottawa-Carleton	140,032	183,030	31
Peel	68,626	109,002	59
Sudbury	38,846	52,142	34
Waterloo	75,346	97,046	29
York	49,673	62,856	27
Muskoka	27,317	30,738	13
<i>Totals</i>			
Regions	775,714	981,814	27
Metro	649,019	757,027	17
Rest of Province	974,902	1,140,223	17
Total Local Sector	2,399,635	2,879,064	20

*Includes seasonal properties.

Household Starts: 1970-1975

Table A3

Year	Regions	Metro	Rest of Province	Total Local Sector
1975	35,082	12,981	19,581	67,644
1974	36,141	16,272	19,106	71,519
1973	50,044	20,308	21,859	92,211
1972	48,389	22,620	20,105	91,114
1971	38,242	24,200	16,034	78,476
1970	31,656	23,330	11,511	66,497
Total Starts	239,554	119,711	108,196	467,461
Total Starts as a percent of 1970 Households	31	18	11	20

Persons Per Household
Density: 1970-1975

Table A4

	1970	1975
Durham	3.3	3.0
Haldimand-Norfolk	3.2	3.0
Halton	3.5	3.2
Hamilton-Wentworth	3.2	2.9
Niagara	3.2	2.9
Ottawa-Carleton	3.2	2.8
Peel	3.4	3.3
Sudbury	3.9	3.2
Waterloo	3.2	2.9
York	3.2	3.1
Muskoka	2.7	2.9
<i>Totals</i>		
Regions	3.2	2.9
Metro	3.1	2.8
Rest of Province	2.8	2.7
Total Local Sector	3.0	2.8

Equalized Assessment: 1970-1975

Table A5

	1970	Est. 1975	Percent Change 1975/1970
	\$ Million	\$ Million	%
Durham	1,774	2,190	23
Haldimand-Norfolk	746	851	14
Halton	1,700	2,228	31
Hamilton-Wentworth	3,098	3,652	18
Niagara	2,648	3,046	15
Ottawa-Carleton	3,341	4,258	27
Peel	2,772	4,301	55
Sudbury	873	1,379	58
Waterloo	1,943	2,534	30
York	1,752	2,419	38
Muskoka	442	561	27
<i>Totals</i>			
Regions	21,089	27,419	30
Metro	22,104	26,449	20
Rest of Province	19,730	23,832	21
Total Local Sector	62,923	77,700	23

Personal Income Per Household: 1970-1975

Table A6

	1970	Est. 1975	Percent Change 1970/1975
			%
Durham	8,700	15,100	74
Haldimand-Norfolk	7,300	12,000	65
Halton	11,700	18,800	61
Hamilton-Wentworth	9,300	15,600	67
Niagara	8,700	14,000	61
Ottawa-Carleton	10,500	17,400	66
Peel	12,600	18,700	48
Sudbury	10,600	16,100	52
Waterloo	9,500	15,200	60
York	10,200	17,400	70
Muskoka	7,700	12,600	64
<i>Averages</i>			
Regions	9,900	15,800	60
Metro	10,900	18,500	70
Rest of Province	7,200	12,500	74
Total Local Sector	9,000	15,200	69

Total Spending: 1970-1975

Table A7

	1970	Est. 1975	Percent Change 1975/1970
	\$ Million	\$ Million	%
Durham	93.7	186.4	99
Haldimand-Norfolk	37.0	58.2	57
Halton	90.0	175.7	95
Hamilton-Wentworth	186.1	302.3	62
Niagara	151.7	261.8	73
Ottawa-Carleton	238.1	517.4	117
Peel	127.6	276.7	117
Sudbury	80.5	158.6	97
Waterloo	103.0	198.1	92
York	79.3	152.0	92
Muskoka	12.9	24.8	92
<i>Totals</i>			
Regions	1,199.9	2,312.0	93
Metro	1,066.9	1,816.0	70
Rest of Province	1,314.9	2,108.0	60
Total Local Sector	3,581.7	6,236.0	74

Note: All 1970 figures for regions that were established after 1970 include spending and revenues by municipalities and school boards in their predecessor jurisdictions.

Total Spending in 1975

Table A8

	School Boards	Lower Tier Municipalities	Upper Tier Municipalities	Total
	\$ Million	\$ Million	\$ Million	\$ Million
Durham	76.3	52.7	57.4	186.4
Haldimand-Norfolk	29.3	13.9	15.0	58.2
Halton	76.1	61.5	38.1	175.7
Hamilton-Wentworth	128.7	91.5	82.1	302.3
Niagara	116.1	75.8	69.9	261.8
Ottawa-Carleton	207.9	158.6	150.9	517.4
Peel	121.0	96.4	59.3	276.7
Sudbury	73.3	37.0	48.3	158.6
Waterloo	84.4	66.6	47.1	198.1
York	67.3	44.7	40.0	152.0
Muskoka	11.6	7.2	6.0	24.8
<i>Totals</i>				
Regions	992.0	705.9	614.1	2,312.0
Metro	718.0	437.0	661.0	1,816.0
Rest of Province	1,100.0	852.6	155.4	2,108.0
Total Local Sector	2,810.0	1,995.5	1,430.5	6,236.0

Distribution of 1975 Total Spending Table A9

	School Boards	Lower Tier Municipalities	Upper Tier Municipalities
	%	%	%
Durham	41	28	31
Haldimand-Norfolk	50	24	26
Halton	43	35	22
Hamilton-Wentworth	43	30	27
Niagara	44	29	27
Ottawa-Carleton	40	31	29
Peel	44	35	21
Sudbury	46	23	31
Waterloo	43	34	23
York	44	29	27
Muskoka	47	29	24
<i>Averages</i>			
Regions	43	31	26
Metro	40	24	36
Rest of Province	52	41	7
Total Local Sector	45	32	23

Total Revenue Fund Expenditures: 1970-1974 Table A10

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	35.5	68.9	94	553	933	69
Haldimand-Norfolk	12.6	17.2	36	412	525	27
Halton	30.0	51.0	70	576	774	34
Hamilton-Wentworth	63.6	123.1	94	519	894	72
Niagara	56.5	90.4	60	531	756	42
Ottawa-Carleton	85.6	154.5	80	612	937	53
Peel	34.1	76.7	125	497	812	63
Sudbury	20.1	43.3	115	517	874	69
Waterloo	37.7	67.3	79	500	729	46
York	21.9	42.3	93	442	688	56
Muskoka	4.0	11.1	178	145	368	154
<i>Totals</i>						
Regions	401.6	745.8	86	518	809	56
Metro	427.4	654.3	53	659	884	34
Rest of Province	427.1	645.8	51	438	577	32
Total Local Sector	1,256.1	2,045.9	63	523	735	41

Note: Totals for tables A10 to A20 may not add up due to rounding.

Revenue Fund Expenditure on
General Government: 1970-1974

Table A11

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	3.7	8.5	132	57	115	102
Haldimand-Norfolk	1.0	1.5	42	34	45	32
Halton	2.0	4.4	122	38	67	76
Hamilton-Wentworth	6.1	11.2	84	50	82	64
Niagara	5.2	8.8	68	49	73	49
Ottawa-Carleton	5.5	12.3	125	39	75	92
Peel	3.0	7.6	156	43	81	88
Sudbury	1.9	3.6	88	49	72	47
Waterloo	2.6	5.6	114	35	61	74
York	2.3	4.6	104	46	75	63
Muskoka	0.5	1.2	118	20	39	95
<i>Totals</i>						
Regions	33.8	69.3	105	44	75	70
Metro	27.8	42.5	54	43	57	33
Rest of Province	37.3	62.2	66	38	55	45
Total Local Sector	98.9	174.0	76	41	61	49

Revenue Fund Expenditure on Fire: 1970-1974

Table A12

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	2.6	4.6	74	41	62	51
Haldimand-Norfolk	0.2	0.7	171	8	20	150
Halton	1.7	2.8	62	33	42	27
Hamilton-Wentworth	5.3	7.6	45	43	55	28
Niagara	3.7	5.6	53	35	47	34
Ottawa-Carleton	7.1	13.4	87	51	81	59
Peel	2.3	5.7	146	34	60	76
Sudbury	1.4	2.5	71	37	50	35
Waterloo	2.9	5.7	99	38	62	63
York	0.8	1.9	138	16	31	94
Muskoka	0.1	0.4	266	4	13	225
<i>Totals</i>						
Regions	28.2	50.7	80	36	55	53
Metro	32.7	49.0	50	50	66	32
Rest of Province	27.3	45.0	65	28	40	43
Total Local Sector	88.2	144.8	64	37	52	41

Revenue Fund Expenditure on Police: 1970-1974 Table A13

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	2.9	6.2	110	46	84	83
Haldimand-Norfolk	0.6	1.3	107	20	39	95
Halton	2.5	4.8	99	48	76	58
Hamilton-Wentworth	7.2	12.7	77	58	92	59
Niagara	5.5	9.9	78	52	82	58
Ottawa-Carleton	8.7	15.2	75	62	92	48
Peel	3.6	9.5	160	53	100	89
Sudbury	1.8	4.5	157	45	91	102
Waterloo	3.8	7.9	110	50	86	72
York	2.7	5.0	89	54	82	52
Muskoka	0.1	Nil	—	4	Nil	—
<i>Totals</i>						
Regions	39.4	77.1	96	51	84	65
Metro	50.3	92.5	84	77	125	62
Rest of Province	33.7	58.1	58	35	52	49
Total Local Sector	123.3	229.8	85	51	82	61

Revenue Fund Expenditure on Roads: 1970-1974 Table A14

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	9.7	12.5	29	151	169	12
Haldimand-Norfolk	5.8	5.7	(1)	187	173	(7)
Halton	9.5	12.4	31	182	189	4
Hamilton-Wentworth	12.4	16.1	31	101	117	16
Niagara	11.9	18.2	56	110	152	38
Ottawa-Carleton	16.9	29.9	77	121	181	50
Peel	7.6	14.9	97	111	158	42
Sudbury	5.0	7.9	59	128	159	24
Waterloo	9.4	11.0	17	124	119	(4)
York	6.0	10.8	81	120	176	47
Muskoka	2.0	4.9	139	75	162	116
<i>Totals</i>						
Regions	95.8	144.4	51	123	157	28
Metro	67.2	80.0	19	104	108	4
Rest of Province	134.2	176.3	31	138	157	14
Total Local Sector	297.2	400.7	35	124	144	16

Revenue Fund Expenditure on
Sewers: 1970-1974

Table A15

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	1.2	4.9	306	19	67	253
Haldimand-Norfolk	0.4	0.7	59	14	20	43
Halton	2.8	3.9	38	54	59	9
Hamilton-Wentworth	3.2	8.2	153	26	59	127
Niagara	3.4	8.0	136	32	67	109
Ottawa-Carleton	5.4	8.5	57	38	51	34
Peel	2.7	6.1	125	39	64	64
Sudbury	2.0	5.4	172	51	109	114
Waterloo	2.3	3.5	54	30	38	27
York	1.2	2.7	125	24	44	83
Muskoka	0.1	0.6	365	5	20	300
<i>Totals</i>						
Regions	24.7	52.4	112	32	57	78
Metro	25.4	33.5	32	39	45	15
Rest of Province	25.8	42.5	65	26	38	46
Total Local Sector	76.0	128.3	69	32	46	44

Revenue Fund Expenditure on Garbage
Collection and Disposal: 1970-1974

Table A16

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	1.0	4.9	367	16	66	313
Haldimand-Norfolk	0.3	0.7	151	9	21	133
Halton	0.9	1.4	64	16	21	31
Hamilton-Wentworth	3.1	5.8	89	25	42	68
Niagara	2.5	3.6	44	23	30	30
Ottawa-Carleton	2.4	3.5	47	17	22	29
Peel	0.8	2.0	135	12	21	75
Sudbury	0.8	2.2	157	22	44	100
Waterloo	1.0	2.6	160	13	28	115
York	0.7	1.2	76	14	20	43
Muskoka	—	0.4	—	2	13	550
<i>Total</i>						
Regions	13.6	28.3	108	18	31	72
Metro	20.8	29.5	42	32	40	25
Rest of Province	13.2	21.4	63	14	19	36
Total Local Sector	47.5	79.3	67	20	28	40

Revenue Fund Expenditure on
Health and Social Services: 1970-1974

Table A17

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	6.0	10.9	82	94	148	57
Haldimand-Norfolk	2.2	2.3	6	72	71	(1)
Halton	3.8	5.7	51	73	87	19
Hamilton-Wentworth	12.4	25.3	104	101	183	81
Niagara	11.1	17.3	56	104	145	39
Ottawa-Carleton	19.4	29.1	50	138	176	28
Peel	3.8	9.3	143	56	98	75
Sudbury	1.7	4.1	141	44	83	89
Waterloo	5.7	10.9	93	75	118	57
York	3.9	4.2	8	79	69	(13)
Muskoka	0.5	1.6	243	18	55	206
<i>Totals</i>						
Regions	70.4	120.8	72	91	131	44
Metro	79.5	116.4	46	123	157	28
Rest of Province	62.1	89.4	44	64	80	25
Total Local Sector	212.0	326.6	54	88	117	33

Revenue Fund Expenditure on
Recreation: 1970-1974

Table A18

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	3.3	6.8	110	51	93	82
Haldimand-Norfolk	.4	.9	113	13	27	108
Halton	3.6	7.0	96	69	107	55
Hamilton-Wentworth	7.7	13.8	80	63	101	60
Niagara	4.5	8.4	87	42	70	67
Ottawa-Carleton	7.3	17.0	134	52	103	98
Peel	4.7	12.1	160	68	128	88
Sudbury	2.0	5.8	188	52	117	125
Waterloo	3.5	8.2	134	47	89	89
York	1.3	4.9	286	25	79	216
Muskoka	0.2	0.8	319	7	27	286
<i>Totals</i>						
Regions	38.3	85.8	124	49	93	90
Metro	50.0	84.3	69	77	114	48
Rest of Province	24.7	58.4	136	25	52	108
Total Local Sector	113.0	228.5	102	47	82	74

Revenue Fund Expenditure on
Planning: 1970-1974

Table A19

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	1.0	1.9	88	15	25	67
Haldimand-Norfolk	.1	.3	195	3	9	200
Halton	.5	1.1	136	9	17	89
Hamilton-Wentworth	1.3	2.8	116	11	20	82
Niagara	.6	1.6	149	6	13	117
Ottawa-Carleton	1.4	4.5	214	10	27	170
Peel	.5	1.9	296	7	20	186
Sudbury	.2	1.1	425	6	23	283
Waterloo	1.4	2.2	53	19	24	26
York	.4	1.2	227	7	19	171
Muskoka	—	0.3	—	2	12	500
<i>Totals</i>						
Regions	7.4	18.9	154	10	20	100
Metro	5.8	11.4	97	9	15	67
Rest of Province	6.6	13.4	104	7	12	71
Total Local Sector	19.8	43.7	120	8	16	100

Revenue Fund Expenditure on
Other: 1970-1974*

Table A20

	\$ Millions			Per Household \$		
	1970	1974	% Change	1970	1974	% Change
Durham	4.0	7.7	92	62	104	68
Haldimand-Norfolk	1.6	3.3	105	52	100	92
Halton	2.8	7.2	160	53	109	106
Hamilton-Wentworth	5.1	19.6	284	42	142	238
Niagara	8.2	9.0	10	77	75	(3)
Ottawa-Carleton	11.6	21.2	83	83	129	55
Peel	5.1	7.6	49	74	80	8
Sudbury	3.3	6.2	90	84	125	49
Waterloo	5.2	9.6	86	68	104	53
York	2.8	5.7	104	56	93	66
Muskoka	0.3	0.8	207	10	28	180
<i>Totals</i>						
Regions	49.9	97.9	96	64	106	66
Metro	68.1	115.2	69	105	152	45
Rest of Province	62.1	79.3	28	64	71	11
Total Local Sector	180.0	292.4	62	75	105	40

*Includes financial and other expenditures which could not be classified under the various municipal services.

Total Provincial Assistance: 1970-1975*

Table A21

	1970	Est. 1975	Percent Change 1975/1970
	\$ Million	\$ Million	%
Durham	38.1	87.9	131
Haldimand-Norfolk	15.6	30.7	97
Halton	32.7	80.9	147
Hamilton-Wentworth	64.9	127.5	96
Niagara	58.6	122.3	109
Ottawa-Carleton	86.6	192.8	123
Peel	39.1	108.3	177
Sudbury	43.2	94.5	119
Waterloo	32.9	83.0	152
York	28.9	61.5	113
Muskoka	6.7	12.8	91
<i>Totals</i>			
Regions	447.3	1,002.2	124
Metro	278.4	645.5	132
Rest of Province	654.8	1,299.3	98
Total Local Sector	1,380.5	2,947.0	113

*Does not include direct provincial payments to property owners and tenants in the form of property tax credits, pensioner credits and farm tax reductions.

Total Provincial Assistance in 1975

Table A22

	School Boards	Lower Tier Municipalities	Upper Tier Municipalities	Total
	\$ Million	\$ Million	\$ Million	\$ Million
Durham	50.0	11.2	26.7	87.9
Haldimand-Norfolk	18.7	4.8	7.2	30.7
Halton	44.6	20.6	15.7	80.9
Hamilton-Wentworth	72.2	21.9	33.4	127.5
Niagara	74.8	16.8	30.7	122.3
Ottawa-Carleton	108.7	22.4	61.7	192.8
Peel	59.8	22.7	25.8	108.3
Sudbury	54.7	18.8	21.0	94.5
Waterloo	48.0	14.8	20.2	83.0
York	35.1	8.4	18.0	61.5
Muskoka	5.8	2.4	4.6	12.8
<i>Totals</i>				
Regions	572.4	164.8	265.0	1,002.2
Metro	269.0	96.5	280.0	645.5
Rest of Province	778.6	414.5	106.2	1,299.3
Total Local Sector	1,620.0	675.8	651.2	2,947.0

Distribution of Each 1975 Dollar
of Provincial Assistance

Table A23

	School Boards	Lower Tier Municipalities	Upper Tier Municipalities
	¢	¢	¢
Durham	57	13	30
Haldimand-Norfolk	61	16	23
Halton	55	25	20
Hamilton-Wentworth	57	17	26
Niagara	61	14	25
Ottawa-Carleton	56	12	32
Peel	55	21	24
Sudbury	58	20	22
Waterloo	58	18	24
York	57	14	29
Muskoka	45	19	36
<i>Averages</i>			
Regions	57	17	26
Metro	42	15	43
Rest of Province	60	32	8
Total Local Sector	55	23	22

Proportion of Total Spending Financed
by Provincial Assistance in 1975

Table A24

	School Boards	Lower Tier Municipalities	Upper Tier Municipalities	Total
	%	%	%	%
Durham	66	21	47	47
Haldimand-Norfolk	64	35	48	53
Halton	59	33	41	46
Hamilton-Wentworth	56	24	41	42
Niagara	64	22	44	47
Ottawa-Carleton	52	14	41	37
Peel	49	24	44	39
Sudbury	75	51	43	60
Waterloo	57	22	43	42
York	52	19	45	40
Muskoka	50	33	77	52
<i>Averages</i>				
Regions	58	23	43	43
Metro	37	22	42	36
Rest of Province	71	49	68	62
Total Local Sector	58	34	45	47

Total Property Taxation: 1970-1975

Table A25

	1970*	Est. 1975	Percent Change 1975/1970
	\$ Million	\$ Million	%
Durham	43.0	62.8	46
Haldimand-Norfolk	13.9	20.2	46
Halton	37.4	56.3	51
Hamilton-Wentworth	83.5	114.6	37
Niagara	71.9	90.1	26
Ottawa-Carleton	95.3	160.5	68
Peel	48.4	108.0	123
Sudbury	24.2	46.5	92
Waterloo	48.6	75.9	56
York	32.4	56.2	73
Muskoka	4.4	11.6	164
<i>Totals</i>			
Regions	503.0	802.7	60
Metro	612.0	875.3	43
Rest of Province	484.8	679.0	40
Total Local Sector	1,599.8	2,357.0	47

*Includes Residential Property Tax Reduction Program.

Total Property Taxation in 1975

Table A26

	School Boards	Lower Tier Municipalities	Upper Tier Municipalities	Total
	\$ Million	\$ Million	\$ Million	\$ Million
Durham	25.0	24.6	13.2	62.8
Haldimand-Norfolk	9.0	6.6	4.6	20.2
Halton	24.9	21.7	9.7	56.3
Hamilton-Wentworth	45.2	36.2	33.2	114.6
Niagara	34.8	35.7	19.6	90.1
Ottawa-Carleton	69.5	58.1	32.9	160.5
Peel	52.3	32.4	23.3	108.0
Sudbury	22.5	10.4	13.6	46.5
Waterloo	31.3	26.4	18.2	75.9
York	28.7	16.7	10.8	56.2
Muskoka	6.0	4.2	1.4	11.6
<i>Totals</i>				
Regions	349.2	273.0	180.5	802.7
Metro	423.1	216.0	236.2	875.3
Rest of Province	294.4	345.1	39.5	679.0
Total Local Sector	1,066.7	834.1	456.2	2,357.0

Distribution of Each 1975
Property Tax Dollar

Table A27

	School Boards	Lower Tier Municipalities	Upper Tier Municipalities
	¢	¢	¢
Durham	40	39	21
Haldimand-Norfolk	44	33	23
Halton	44	39	17
Hamilton-Wentworth	39	32	29
Niagara	38	40	22
Ottawa-Carleton	43	36	21
Peel	48	30	22
Sudbury	49	22	29
Waterloo	41	35	24
York	51	30	19
Muskoka	52	36	12
<i>Averages</i>			
Regions	44	34	22
Metro	48	25	27
Rest of Province	43	51	6
Total Local Sector	46	35	19

Proportion of Total Spending Financed
by Property Taxation in 1975

Table A28

	School Boards	Lower Tier Municipalities	Upper Tier Municipalities	Total
	%	%	%	%
Durham	33	47	23	34
Haldimand-Norfolk	31	47	31	35
Halton	33	35	25	32
Hamilton-Wentworth	35	40	40	38
Niagara	30	47	28	34
Ottawa-Carleton	33	37	22	31
Peel	43	34	39	39
Sudbury	31	28	28	29
Waterloo	37	40	39	38
York	43	37	27	37
Muskoka	52	58	23	47
<i>Averages</i>				
Regions	35	39	29	35
Metro	59	49	36	48
Rest of Province	27	40	25	32
Total Local Sector	38	42	31	38

Total Residential and
Farm Taxation: 1970-1975

Table A29

	1970*	Est. 1975	Percent Change 1975/1970
	\$ Million	\$ Million	%
Durham	28.4	39.7	40
Haldimand-Norfolk	10.0	14.6	46
Halton	25.6	38.8	52
Hamilton-Wentworth	45.8	62.4	36
Niagara	40.7	54.3	33
Ottawa-Carleton	57.2	96.2	68
Peel	33.8	71.3	111
Sudbury	13.0	24.0	85
Waterloo	29.0	42.9	48
York	24.8	39.7	60
Muskoka	3.2	9.3	191
<i>Totals</i>			
Regions	311.5	493.2	58
Metro	324.4	444.9	37
Rest of Province	293.9	406.8	38
Total Local Sector	929.8	1,344.9	45

*Includes Residential Property Tax Reduction Program.

Gross Residential and Farm
Taxation Per Household: 1970-1975*

Table A30

	1970	Est. 1975	Percent Change 1975/1970
	\$	\$	%
Durham	410	476	16
Haldimand-Norfolk	301	403	34
Halton	456	523	15
Hamilton-Wentworth	346	403	16
Niagara	353	402	14
Ottawa-Carleton	378	486	29
Peel	456	605	33
Sudbury	309	426	38
Waterloo	356	409	15
York	461	584	27
Muskoka	108	280	159
<i>Totals</i>			
Regions	371	465	25
Metro	462	544	18
Rest of Province	279	330	18
Total Local Sector	359	432	20

*Figures have not been reduced to reflect the property tax credit payments which the Province has made directly to individual homeowners and tenants.

Gross Residential Property Taxes Per Household as a Proportion of Personal Income

Table A31

	1970	Est. 1975
Durham	4.7	3.2
Haldimand-Norfolk	4.1	3.4
Halton	3.9	2.8
Hamilton-Wentworth	3.7	2.6
Niagara	4.1	2.9
Ottawa-Carleton	3.6	2.8
Peel	3.6	3.2
Sudbury	2.9	2.6
Waterloo	3.7	2.7
York	4.5	3.4
Muskoka	1.4	2.2
<i>Averages</i>		
Regions	3.7	2.9
Metro	4.2	2.9
Rest of Province	3.9	2.6
Total Local Sector	4.0	2.8

Long Term Borrowing: 1970-1975

Table A32

	1970	Est. 1975	Percent Change 1975/1970
	\$ Million	\$ Million	%
Durham	10.3	8.8	(15)
Haldimand-Norfolk	1.3	1.4	8
Halton	5.2	12.7	144
Hamilton-Wentworth	16.3	30.0	84
Niagara	8.0	5.6	(30)
Ottawa-Carleton	41.3	69.0	67
Peel	18.8	24.7	31
Sudbury	12.2	2.0	(84)
Waterloo	11.2	10.8	(4)
York	5.8	13.7	136
Muskoka	0.7	0.4	(43)
<i>Totals</i>			
Regions	131.1	179.1	37
Metro	100.0	158.6	59
Rest of Province	108.7	109.3	1
Total Local Sector	339.8	447.0	32

Other Revenue: 1970-1975

Table A33

	1970	Est. 1975	Percent Change 1975/1970
	\$ Million	\$ Million	%
Durham	9.0	18.4	104
Haldimand-Norfolk	3.0	4.4	47
Halton	7.0	17.9	156
Hamilton-Wentworth	10.0	19.3	93
Niagara	7.6	18.0	137
Ottawa-Carleton	33.9	55.6	64
Peel	15.0	25.0	67
Sudbury	3.0	7.0	133
Waterloo	9.6	18.9	97
York	5.2	10.5	102
Muskoka	0.8	1.8	125
<i>Totals</i>			
Regions	104.1	196.8	89
Metro	74.7	125.5	68
Rest of Province	110.9	182.7	65
Total Local Sector	289.7	505.0	74

Method Used to Compute Municipal Price Indices for Each Service Area in Each Municipal Category Table A34

- Step 1: Compute a wage and salary ratio based on the predominant labour component. For example, in the case of the police service, the wages of a first class constable would be used. The ratio would be calculated by dividing the 1975 average wage rate for a sample¹ of municipalities by the 1970 wage rate equivalent.
- Step 2: Compute the proportion of total 1975 cost for the service accounted by wages and salaries and by all other objects of expenditure, i.e., materials and supplies, purchased services, etc.
- Step 3: Compute a weighted inflation index by taking the wage and salary ratio, multiplying it by the wages and salaries proportion of the 1975 cost, and adding the product to the product of the GNP price deflator and the proportion accounted by all other objects of expenditure.

Formula for the Municipal Price Index (MPI) for each service:

$$\text{MPI} = \left[\frac{1975 \text{ wage rate}}{1970 \text{ wage rate}} \right] \times \left[\frac{1975 \text{ wages}}{1975 \text{ total cost}} \right] + [\text{GNP Price Deflator}] \times \left[1 - \frac{1975 \text{ wages}}{1975 \text{ total cost}} \right]$$

¹List of Municipalities in the Sample.

<i>Regions</i>		
Reg. Mun. of Durham	City of Burlington	Town of Ancaster
Reg. Mun. of Halton	City of Hamilton	Town of Newcastle
Reg. Mun. of Hamilton-Wentworth	City of Mississauga	Town of Newmarket
Reg. Mun. of Peel	City of Oakville	Town of Richmond Hill
Reg. Mun. of York	City of Oshawa	Township of Uxbridge
<i>Metro</i>		
Metropolitan Toronto	Borough of East York	Borough of North York
	Borough of Etobicoke	Borough of Scarborough
	City of Toronto	Borough of York
<i>Rest of Province</i>		
County of Essex	City of Pembroke	Town of Kenora
County of Hastings	City of Peterborough	Town of Kirkland Lake
County of Simcoe	City of St. Thomas	Town of Lindsay
County of Wellington	City of Sarnia	Town of Midland
City of Barrie	City of Sault Ste. Marie	Town of Owen Sound
City of Belleville	City of Stratford	Town of Renfrew
City of Brantford	City of Thunder Bay	Town of Smith Falls
City of Brockville	City of Windsor	Town of Trenton
City of Chatham	Town of Cobourg	Town of Wallaceburg
City of Cornwall	Town of Collingwood	Township of Elliot Lake
City of Guelph	Town of Deep River	Township of Kingston
City of Kingston	Town of Fort Francis	Township of Innisfield
City of London	Town of Gananoque	Township of Hamilton
City of North Bay	Town of Hawkesbury	Township of Sandwich West
City of Orillia	Town of Kapuskasing	Township of Sarnia

The municipalities in the sample account for approximately two thirds of the total spending of the municipal sector.

HJ Regush, H.
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